

Commentary

2026 Global Retail Outlook: Discount and Value-Based Retailers Will Benefit from Cost-Conscious Consumers

Morningstar DBRS

January 29, 2026

Key Highlights

- Consumer sentiment across North American and European markets is diverging between high- and low-income households.
- As consumers continue to seek value for money, their behaviors will influence retailers' same-store sales growth and mix.
- To counter these headwinds, effective cost management and improved operating leverage will be critical to operating performance.

Aarti Magan, CPA, CA
Vice President
Corporate Ratings
+1 416 597-7434
aarti.magan@morningstar.com

Andrea Petroczi-Urban
Assistant Vice President
European Corporate Ratings
+49 69 2713 77007
andrea.petroczi-urban@morningstar.com

Mortiz Steinbauer
Senior Vice President, Sector Lead
Corporate Ratings
+1 416 597-7494
mortiz.steinbauer@morningstar.com

Discount and Value-Based Retailers Will Outperform the Overall Sector

For 2026, we maintain a neutral outlook for the global retail sector.¹ As high- and low-income households alike contend with the compounded effects of inflation and related macroeconomic pressures, we expect they will continue to seek ways to stretch their dollars, euros, and pounds this year. The effects of this consumer behavior on retailers will vary, depending on (1) where they are on the staple/discretionary spectrum, (2) their product assortment across different pricing tiers, and (3) their branded versus private-label offerings. That said, through (1) measured pricing actions, (2) effective cost management, (3) loyalty program expansion, and (4) fortification of their supply chains to manage cost pressure and operating complexities, we project that retailers will grow their EBITDA in the low- to mid-single-digit range in 2026, although discount and value-based retailers will come in at the upper end of our forecast. Through modest EBITDA growth and the benefit from measured capital allocation, we believe that the investment-grade-rated corporate retailers² in our global portfolio are well placed within their respective credit rating categories. Conversely, the credit risk profiles of smaller, non-investment-grade rated corporate retailers¹ on the more discretionary end of the staple/discretionary spectrum and with already-strained credit metrics could be pressured this year. However, we recognize the continued uncertainty around our expectations given the uncertainty about U.S. trade policy and geopolitical risks.

We have published separate outlooks on (1) consumer products ([2026 Outlook for North American Consumer Product Companies: Steadfast in the Still-Uncertain Consumer Environment](#) and [2026 European Consumer Products Outlook: Steady with Upsides on the Horizon](#)), (2) global food retail ([2026 Global Food Retail Outlook: Intense Competition for a Value-Hungry Consumer](#)), and (3) the global restaurants sector ([2026 Global Restaurant Sector Outlook: Resilient Consumer Appetites for the Right Value](#)).

Credit Risk Actions Driven by Evolution of Individual Credit Risk Profiles

Over the next 12 months, we don't expect to take credit rating actions on our primarily investment-grade-rated global portfolio of corporate retailers¹ solely because of broader sector trends. Instead, we believe any credit rating actions will largely be driven by the evolution of the credit risk profiles of

¹ Excludes global food retailers. Our outlook for the global food retail sector is neutral, as outlined in our commentary [2026 Global Food Retail Outlook: Intense Competition for a Value-Hungry Consumer](#).

² Excludes private credit issuers. Private credit issuers generally have high leverage, operating earnings of up to \$50 million, and their average credit quality falls in the B range. See our commentary [2026 Private Credit Outlook Negative: Margin Compression and Rising Leverage Are Key Challenges](#) for our outlook on private credit issuers.

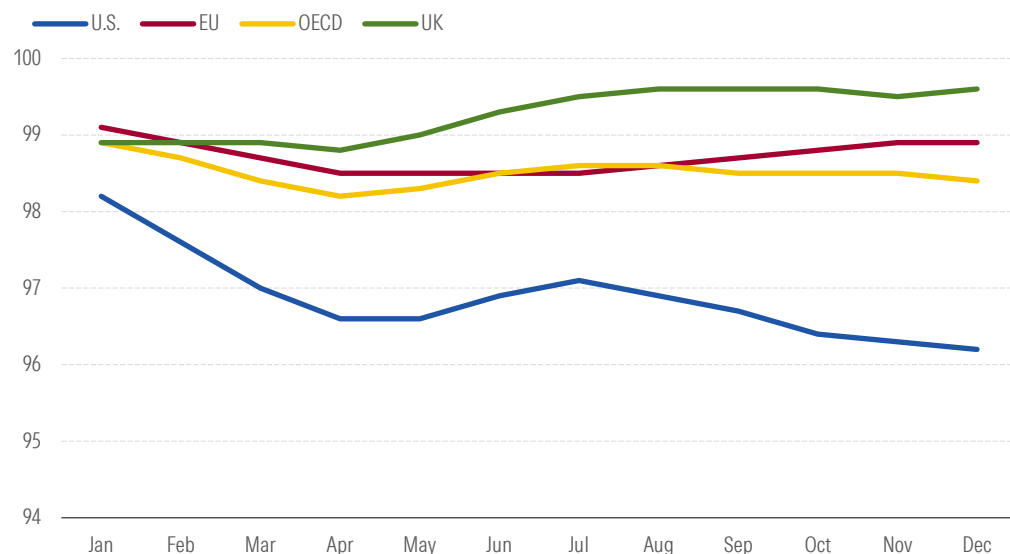
individual issuers. Such credit rating action triggers could include weaker-than-expected operating performances driven by persistent volume pressure leading to market share erosion, a lack of cost-containment initiatives, and/or increased operating inefficiencies. More aggressive capital allocation could also trigger negative company-specific credit rating actions.

Diverging Consumer Sentiment Between High and Low-Income Households

As outlined in our commentary *2026 Sovereign Outlook Neutral: Clouds on the Horizon*, healthy household balance sheets, still-low levels of unemployment, real wage growth, and improved purchasing power supports consumption growth for the U.S. and some other major economies.

However, heading into 2026, consumer confidence—an indicator of future developments in household consumption and spending—was below 100 in the EU, UK, U.S., and OECD countries (see Exhibit 1). Values below 100 indicate a pessimistic attitude toward future developments in the economy, possibly resulting in a tendency to save more and consume less. Furthermore, and as discussed in our commentary *2026 Sovereign Outlook Neutral: Clouds on the Horizon*, consumer surveys across major economies reflect diverging sentiment between a minority of asset-rich households that are benefiting from strong wealth effects (and account for an outsized share of consumption growth), and a larger number of households with limited net worth that are experiencing rising debt service costs, rising rents and utility payments, and increasing worries about the outlook for employment.

Exhibit 1 2025 Consumer Confidence Index



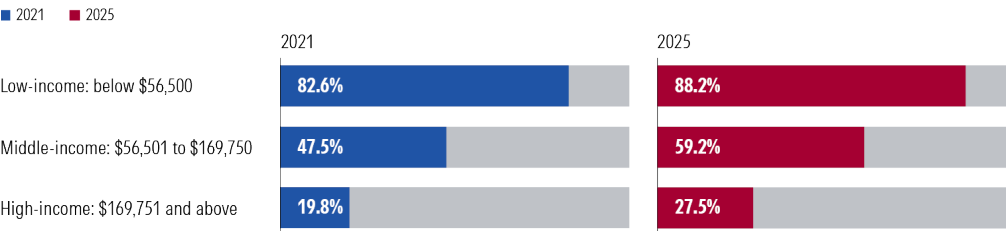
Source: Source: OECD

Value-Seeking Consumers Influence Same-Store Sales Growth and Mix

As we expected (see our commentary *2025 Global Retailers Outlook: Light at the End of the Tunnel for Discretionary Retail?*), consumers grappling with strained purchasing power gravitated toward discount and value retailers last year, particularly in the U.S. and Canada. Almost 28% of Americans shopped at

discount chains³ including Dollar General Corp, Dollar Tree Inc., Ollies Bargain Outlet Holdings Inc., and Walmart Inc. (Walmart), up from approximately 20% in 2021 (see Exhibit 2).

Exhibit 2 Percentage of U.S. Consumers Shopping at Discount Retailers



Source: CBS News: Growing number of affluent consumers are shopping at discount stores. Here's why. September 16, 2025.

As high- and low-income households alike still contend with the compounded effects of inflation and related macroeconomic pressures this year, we expect that they will continue to seek ways to stretch their dollars, euros, and pounds, a dynamic that will continue to favor the volumes and same-store sales growth of discount and value-retailers globally, including Dollarama Inc. and Walmart.

The effect of consumers' value-seeking behavior on the same-store sales growth of general retailers will depend on where these retailers fit on the staple/discretionary spectrum. Retailers that offer a diversified range of both essential and discretionary products are typically more resilient than retailers that stock more non-essential merchandise, such as Target Corporation. Furthermore, large general retailers that typically offer discretionary products across a wide price spectrum, such as Canadian Tire Corporation Limited's (Canadian Tire) "Good, Better, Best" product range, and those with an established portfolio of private-label discretionary products, such as Canadian Tire and Marks and Spencer plc, will remain well-positioned to capture the spend of value-seeking consumers.

On the other hand, niche discretionary retailers, particularly those on the more discretionary end of the staple/discretionary spectrum, could experience demand/volume pressure, although this will be tempered by the resilience of high-income households.

Across the staple/discretionary spectrum, however, we expect that retailers will (1) aggressively step up their marketing and promotion campaigns and (2) increasingly leverage their loyalty programs to grow their same-store sales and topline. Consequently, we forecast low- to mid-single-digit topline growth within our global portfolio of primarily investment-grade-rated corporate retailers,¹ with discount and value-based retailers coming in at the upper end of that range.

However, we recognize the continued uncertainty around our expectations given the uncertainty about U.S. trade policy and geopolitical risks.

³ CBS News. Money Watch. Growing number of affluent consumers are shopping at discount stores. Here's why. September 16, 2025.

Effective Cost Management Critical to Operating Performance

Considering (1) cautious consumer behavior, (2) already-elevated prices, and (3) the very competitive operating environment, we expect that, in general, Canadian and European retailers will be limited in their ability to pass through increasing costs to consumers. Instead, we expect that they will aggressively pursue cost-saving and efficiency-improving initiatives and rely on improved operating leverage to protect and grow their EBITDA margins and improve their operating performance.

While U.S. retailers will face similar headwinds as their Canadian and European counterparts, they must also contend with the residual effect of tariffs. (For an example of the effect of tariffs on the price of consumer products in the U.S., see our commentary [2026 Outlook for North American Consumer Product Companies: Steadfast in the Still-Uncertain Consumer Environment](#)). As such, we expect that U.S. retailers will pass through incremental costs, in addition to adopting cost-saving and efficiency-improving initiatives, to maintain and/or improve their profitability.

However, we recognize the continued uncertainty around our expectations given the uncertainty about U.S. trade policy and geopolitical risks.

Capital Allocation Will Focus on Volume Growth and Efficiencies

We expect large retailers to (1) continue to invest in strengthening their private-label offerings, which carry a higher margin compared with branded counterparts; (2) expand their loyalty programs; (3) enhance their omnichannel presence; and (4) fortify their supply chains to manage cost pressure and operating complexities, including by leveraging artificial intelligence for supply chain visibility.⁴

Outlook Largely Consistent Across Geographies

Our neutral outlook for the global retail sector in 2026 is largely consistent across geographies, with our corporate¹ portfolio including retailers operating primarily in the U.S., Canada, and the EU.

However, we do expect to see the effects of some differences. For example, with inflation tapering down across most economies in the EU, retailers with diverse non-food assortments will benefit from stabilizing demand. Concurrently, households will continue to prioritize value for money, signaling that price sensitivity will remain relevant to the retail environment in the EU. Although high inflation has caused prices to rise, it has also heightened consumers' perception of private-label value (such as Lidl's private brand of household appliances, Silvercrest). This shift in value orientation is aiding discount retailers in maintaining their market share growth in Europe. However, inflation in the U.S. and UK is still above target (as outlined in our commentary [2026 Sovereign Outlook Neutral: Clouds on the Horizon](#)), which could weigh on the operating performance of retailers in these geographies. Nevertheless, as the primarily investment-grade-rated corporate retailers¹ in our global portfolio are well placed within their respective credit rating categories, we don't believe that regional differences alone are meaningful enough to significantly affect their credit risk profiles.

⁴ Deloitte. 2026 Retail Industry Global Outlook. January 8, 2026.

About Morningstar DBRS

Morningstar DBRS is a full-service global credit ratings business with approximately 700 employees around the world. We're a market leader in Canada, and in multiple asset classes across the U.S. and Europe.

We rate more than 4,000 issuers and nearly 60,000 securities worldwide, providing independent credit ratings for financial institutions, corporate and sovereign entities, and structured finance products and instruments. Market innovators choose to work with us because of our agility, transparency, and tech-forward approach.

Morningstar DBRS is empowering investor success as the go-to source for independent credit ratings. And we are bringing transparency, responsiveness, and leading-edge technology to the industry.

That's why Morningstar DBRS is the next generation of credit ratings.

Learn more at dbrs.morningstar.com.



The Morningstar DBRS group of companies consists of DBRS, Inc. (Delaware, U.S.)(NRSRO, DRO affiliate); DBRS Limited (Ontario, Canada)(DRO, NRSRO affiliate); DBRS Ratings GmbH (Frankfurt, Germany)(EU CRA, NRSRO affiliate, DRO affiliate); DBRS Ratings Limited (England and Wales)(UK CRA, NRSRO affiliate, DRO affiliate); and DBRS Ratings Pty Limited (Australia)(AFSL No. 569400). DBRS Ratings Pty Limited holds an Australian financial services license under the Australian Corporations Act 2001 to only provide credit ratings to "wholesale clients" within the meaning of section 761G of the Act. For more information on regulatory registrations, recognitions, and approvals of the Morningstar DBRS group of companies, please see: <https://dbrs.morningstar.com/research/225752/highlights.pdf>.

For persons in Australia: By continuing to access Morningstar DBRS credit ratings and other types of credit opinions and related research (collectively, Relevant Documents), you represent to Morningstar DBRS that you are, or are accessing the Relevant Documents as a representative of, a "wholesale client" and that neither you nor any entity you represent will directly or indirectly disseminate the Relevant Documents or their contents to "retail clients" within the meaning of section 761G of the Australian Corporations Act 2001. Morningstar DBRS does not authorize distribution of the Relevant Documents to any person in Australia other than a "wholesale client" and accepts no responsibility or liability whatsoever for the actions of third parties in this respect.

The Morningstar DBRS group of companies are wholly owned subsidiaries of Morningstar, Inc.

© 2026 Morningstar DBRS. All Rights Reserved. The information upon which Morningstar DBRS credit ratings and other types of credit opinions and reports are based is obtained by Morningstar DBRS from sources Morningstar DBRS believes to be reliable. Morningstar DBRS does not audit the information it receives in connection with the analytical process, and it does not and cannot independently verify that information in every instance. The extent of any factual investigation or independent verification depends on facts and circumstances. Morningstar DBRS credit ratings, other types of credit opinions, reports, and any other information provided by Morningstar DBRS are provided "as is" and without representation or warranty of any kind and Morningstar DBRS assumes no obligation to update any such credit ratings, opinions, reports, or other information. Morningstar DBRS hereby disclaims any representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability, fitness for any particular purpose, or non-infringement of any of such information. In no event shall Morningstar DBRS or its directors, officers, employees, independent contractors, agents, affiliates, and representatives (collectively, Morningstar DBRS Representatives) be liable for (1) any inaccuracy, delay, loss of data, interruption in service, error, or omission or for any damages resulting therefrom; or (2) any direct, indirect, incidental, special, compensatory, or consequential damages arising from any use of credit ratings, other types of credit opinions, and reports or arising from any error (negligent or otherwise) or other circumstance or contingency within or outside the control of Morningstar DBRS or any Morningstar DBRS Representative in connection with or related to obtaining, collecting, compiling, analyzing, interpreting, communicating, publishing, or delivering any such information. IN ANY EVENT, TO THE EXTENT PERMITTED BY LAW, THE AGGREGATE LIABILITY OF MORNINGSTAR DBRS AND MORNINGSTAR DBRS REPRESENTATIVES FOR ANY REASON WHATSOEVER SHALL NOT EXCEED THE GREATER OF (A) THE TOTAL AMOUNT PAID BY THE USER FOR SERVICES PROVIDED BY MORNINGSTAR DBRS DURING THE TWELVE (12) MONTHS IMMEDIATELY PRECEDING THE EVENT GIVING RISE TO LIABILITY, AND (B) USD 100. Morningstar DBRS does not act as a fiduciary or an investment advisor. Morningstar DBRS does not provide investment, financial, or other advice. Credit ratings, other types of credit opinions, and other analysis and research issued by Morningstar DBRS (a) are, and must be construed solely as, statements of opinion and not statements of fact as to creditworthiness, investment, financial, or other advice or recommendations to purchase, sell, or hold any securities; (b) do not take into account your personal objectives, financial situations, or needs and do not comment on the suitability of any investment, loan, or security; (c) should be weighed, if at all, solely as one factor in any investment or credit decision; (d) are not intended for use by retail investors; and (e) address only credit risk and do not address other investment risks, such as liquidity risk or market volatility risk. Accordingly, credit ratings, other types of credit opinions, and other analysis and research issued by Morningstar DBRS are not a substitute for due care and the study and evaluation of each investment decision, security, or credit that one may consider making, purchasing, holding, selling, or providing, as applicable. A report with respect to a Morningstar DBRS credit rating or other credit opinion is neither a prospectus nor a substitute for the information assembled, verified, and presented to investors by the issuer and its agents in connection with the sale of the securities. Users should obtain appropriate advice from a financial or other professional advisor prior to making any financial decisions. Users should also consider the definitions, limitations, policies, criteria, and methodology used by Morningstar DBRS to arrive at the credit ratings, opinions, research, or other analysis provided by Morningstar DBRS. Morningstar DBRS may receive compensation for its credit ratings and other credit opinions from, among others, issuers, insurers, guarantors, and/or underwriters of debt securities. This publication may not be reproduced, retransmitted, or distributed in any form without the prior written consent of Morningstar DBRS. ALL MORNINGSTAR DBRS CREDIT RATINGS AND OTHER TYPES OF CREDIT OPINIONS ARE SUBJECT TO DEFINITIONS, LIMITATIONS, POLICIES, AND METHODOLOGIES THAT ARE AVAILABLE ON <https://dbrs.morningstar.com>. Users may, through hypertext or other computer links, gain access to or from websites operated by persons other than Morningstar DBRS. Such hyperlinks or other computer links are provided for convenience only. Morningstar DBRS does not endorse the content, the operator, or operations of third-party websites. Morningstar DBRS is not responsible for the content or operation of such third-party websites and Morningstar DBRS shall have no liability to you or any other person or entity for the use of third-party websites.